

Incentives regulated for the acquisition of real estate by foreigners

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The real estate sector is in the nature of an essential competent for a consistent and predictable development of Turkish economy.

Within this scope, two separate incentives have been regulated by Turkish Legislator with the aim to invigorate the sector, enhance the inflow of foreign currency and to attract the foreign investor: Amendment on Directive regarding Application of the Turkish Citizenship Code and VAT exemption on the real estate acquisition by foreigners.

I. Acquisition of citizenship

According to Article 9 of the Law on Turkish Citizenship no. 5901, Turkish citizenship shall be acquired after birth either by a decision of the competent authority or by adoption or by using the right to choice.

Detailed requirements for the acquisition of Turkish citizenship are regulated under the Regulation on the Implementation of the Turkish Citizenship Law put into force by the Decree of the Council of Ministers dated 11/2/2010 and numbered 2010/139.

Currently, as an incentive for the foreign investors, the following provisions has been added to the Regulation by the Decree of the Council of Ministers dated 12.12.2016 and numbered 2016/9601:

A foreigner who acquires any of the following conditions may acquire Turkish citizenship with the proposal of the Ministry and the decision of the Council of Ministers within the scope of paragraph (b) of the first paragraph of Article 12 of the Law:

- a) Determined by the Ministry of Economy, which has made a fixed capital investment of at least USD 2,000,000,
- b) Not to sell the immovable property title register for at least 3,000,000 US Dollars in the amount of at least 1,000,000 US Dollars, which is determined by the Ministry of Environment and Urban Planning,
- c) The Ministry of Labor and Social Security, which employs at least 100 people,
- d) Banking Regulation and Supervision Agency, which has invested in the banks operating in Turkey, provided that the deposit is held for three years with a minimum amount of 3,000,000 US Dollars,
- e) The amount determined by the Undersecretariat of Treasury to be purchased, provided that the State borrowing instruments are kept for three years at least USD 3,000,000.

II. VAT exemption

With Article 7 of the Law No. 6824 on the Restructuring of Certain Receivables and Amending Certain Laws and Law Decrees published in the Official Gazette on 08.03.2017, a new subparagraph has been added to Article 13 of the VAT Code effective as of 01.04.2017 which will provide VAT exemption on the deliveries of residence units and work places to non-residents and Turkish expats working abroad.

Within this scope, the conditions to benefit from the mentioned exemption, are as follows:

- a) The exemption shall be applied only to the delivery (transfer) of residential and workplace buildings.
- b) The exemption shall be applied to deliveries made to Turkish citizens who live abroad for more than six years on a work or residence permit, foreign individuals who do not reside in Turkey and legal entities whose legal and business centers are not located in Turkey and which do not derive any income in Turkey via permanent establishments or permanent representatives.
- c) The exemption shall be applied only to the first transfer of the mentioned buildings.
- d) Purchase price of the property should be paid in foreign exchange and should be transferred to Turkey.

Although the exemption provided in the mentioned regulation seems to be applicable for both non-resident real persons and the legal entities whose legal and business centers are not located in Turkey, the applicability of the exemption provided for non-resident companies will be limited to the real properties situated in special zones and properties which will be obtained for the first time as per to the provisions of the Land Register Law No. 2644.

Therefore, it is understood that the amendment made with Law No. 6824 to Article 13 of the VAT Code mainly revises the exemption on the purchases of real properties by real persons in city centers and residential areas.

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